CITY OF JERSEY CITY

STEVEN M. FULOP, MAYOR

**FOR IMMEDIATE RELEASE**
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# *Fulop Administration Unveils City's First Abatement Policy in Jersey City History; Plan Incentivizes Development in the Inner City*

JERSEY CITY – **Mayor Steven M. Fulop** today unveiled his administration's **new policy on tax abatements** – the first of its kind in Jersey City – establishing a tiered structure for **abatements based on geography and income levels**.

The plan, set to be adopted by Executive Order next week, aims to make the abatement process fairer to all parties and to **incentivize development in the inner city**.

"This policy will make the use of tax abatements better for the residents, the City, and labor," said **Mayor Fulop**. "Additionally, the developer will have clarity as the government will have a set policy in place with clear objectives."

The City's historic use of tax abatements has resulted in unbalanced development that has not benefited the city as a whole. Prior administrations continued to approve tax abatements for projects along the waterfront and downtown, even after these areas became some of the most valuable real estate in the region, if not the nation.

"Until now, all the market rate development has been limited to downtown because of a lack of a policy," said **Mayor Fulop**. "These one off deals have created a culture of artificial competition with parts of the city, abatements based on who you know, and no foresight for future development in those parts of the city where it is needed most."

The comprehensive plan includes six tiers and requires developers who receive abatements to adhere to a Project Labor Agreement and a Project Employment Agreement, as well as contribute to the City's Affordable Housing Trust Fund. In a shift from past practices, the new policy establishes that affordable housing, in most cases, should be built in the same ward that generated the contribution.

"Our policy seeks to address this imbalance that has for years favored the waterfront and downtown," said **Mayor Fulop**. "Long term tax abatements will be utilized to support and encourage development in other areas of the City, including but not limited to, Journal Square and Bergen Lafayette where there is substantial public transportation."

**All media inquiries should be directed to Jennifer Morrill, Press Secretary for the City of Jersey City, at 201-547-4836 or 201-376-0699.**/////

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# JERSEY CITY TIERED TAX EXEMPTION POLICY

Real estate development is crucial to building a city; however, unfettered development does not guarantee the City of Jersey City will succeed in realizing its full potential. To excel, the City must adopt a thoughtful, reasoned, comprehensive development strategy, then properly and efficiently manage the resulting development. This includes realizing adequate tax revenues to support essential City services, creating jobs at all income and educational levels, and fostering the right mix of housing, commercial and recreational opportunities necessary to cultivate and strengthen vibrant neighborhoods of varying characteristics. This policy lays the foundation for the City to make its progressive vision a reality.

The City's historic use of Tax Exemptions (TA) has resulted in unbalanced development that has not truly benefited the City as a whole. In recent years, TAs have continued to be approved for projects along the waterfront and downtown even though these areas have become some of the most valuable real estate in the region, if not the nation. This policy seeks to address this reality. Consequently, long-term TAs will no longer be issued on a pro forma basis for development along the waterfront and downtown. Rather, long term TAs will be utilized to support and encourage development in other areas of the City, including but not limited to, Journal Square and Bergen Lafayette.

How and where to create incentives for development within the City are critical factors to bringing about the strategic globally beneficial development the City needs. While the use of TAs is controlled by various state laws, there is flexibility within the Long-Term Tax Exemption Law, the Five-Year Tax Exemption Law, and the Redevelopment Area Bonding Law that allows the City to prioritize and maximize the use of TAs. The below policy reflects the importance of using TAs to encourage redevelopment in parts of the City where it is most needed and incorporates the recognition that the tax abatement process must be more transparent, standardized and predictable. The intention is to prioritize the use of TAs in targeted areas, many of which are existing redevelopment areas, to encourage investment and job creation for the benefit of longstanding residents and businesses of the City.

## The Jersey City TA Program Concepts and Tools

The policy guidelines and structure of the current Jersey City TA program rely upon both the Five-Year Tax Exemption Law and the Long-Term Tax Exemption Law. The within policy utilizes the current City ordinances with strategic amendments. The Ordinances addressed herein include: the Five-Year Tax Exemption Ordinance (Chapter 304-6 et seq.); the Long-Term Tax Exemptions Affordable Housing Trust Fund (Chapter 304-28 et seq.); and Construction Project Labor Agreements (Chapter 304-33 et seq.). These ordinances utilize several concepts that will continue to be used and warrant identification herein. These concepts are:

- Project Labor Agreement: A Project Labor Agreement (PLA) is a contract between a labor organization and a developer that contains at a minimum the requirements set forth in the Chapter 304, Article VII of the City Code dealing with Construction PLAs. The City currently requires a PLA for projects with a total project cost exceeding $25,000,000. Other requirements include, but are not limited to, a guarantee that there will be no strikes or lockouts; procedures to ensure the timely resolution of labor disputes; and a mandate that 20% of the labor hours required shall be performed by apprentices and that all apprentices be City residents.

- Project Employment Agreement: The City has a policy requiring any recipient of an economic incentive, defined as a long term tax abatement or exemption that reduces the annual amount of taxes otherwise due by $25,000 or more in the aggregate, to achieve a good faith goal of a workforce representing 51% City residents, 51% of whom are minorities and, in non-traditional jobs, 6.9% of whom are women. In addition, developers must achieve a good faith goal of awarding 20% of the dollar amount of its contracts to local businesses, 51% of which shall be minority or woman owned local businesses. The terms and conditions of such goals are set forth in a Project Employment and Contracting Agreement (PECA) between the City and developer executed at the time the financial agreement required to obtain the TA is executed.

- Affordable Housing Trust Fund: Contribution to the City's affordable housing trust fund is required for any market rate housing project or any commercial or industrial project receiving a long-term tax exemption. The amount of the contributions is set by State law as adopted by City Ordinance and is $1,500 per unit for a market rate housing project; $1.50 per square foot for commercial space; and $.10 per square foot for industrial space. The contributions must be used solely for the actual costs of materials and labor directly associated with the rehabilitation or construction or preservation of existing low and moderate income affordable housing or the construction of new "low or moderate income affordable housing," as defined in the Fair Housing Act, N.J.S.A. 52:27-301. Further any recipient of funds from the Affordable Housing Trust Fund should as a general rule demonstrate that no less than 25% of its construction labor workforce shall be bona fide Jersey City residents or businesses. Affordable Housing Trust Funds should, in most instances, only be used for an affordable housing project in the same ward as the project that generated the contribution. Going forward, recipient of funds from the Affordable Housing Trust Fund will be expected to submit a report to the Business Administrator on the 15th day of each month for the previous month during construction until project completion. The report should include a certified payroll report specifying the residence, gender and ethnic/racial origin of each worker, work hours, and the rate of pay and benefits provided. The recipient should permit representatives of the City appropriate access to work sites in order to confirm the information contained in the payroll report. The recipient should also agree to provide from time to time all reports as are deemed necessary by the City to fulfill the purposes of Chapter 304, Article VI of the Jersey City Code.

## The Jersey City Tiered TA Program

The TA structure described herein is multi-tiered and is intended to support and provide greater incentives for new development in targeted areas of the City, while continuing to provide financial incentive to support development along the waterfront. Attached to this document as Appendix A is a map which identifies several zones, each of which are eligible for different incentives in accordance with the Long-Term Tax Exemption Law. Each zone is defined as a tier. The first three tiers are based on median income. The fourth tier categorizes the areas in the City most in need of development. The fifth and sixth tiers categorize types of development deemed to be so important or beneficial to the City's interests that they must be treated outside of the geographically defined tiers that make up the crux of this program.

## 1st Tier

Projects throughout the entire City, regardless of size, shall be eligible to utilize the Five-Year Tax Exemption Law as provided for by the City's Five-Year Tax Exemption Ordinance (Chapter 304-6 et seq.)[1]. Projects that fall within the zone designated as the 1st Tier on the Tier Map shall be eligible for Payment in Lieu of Taxes (PILOT) consisting of the following terms:

- An annual service charge will be determined based on the following phase-in schedule:
    - Year 1 – 0
    - Year 2 – 20% of taxes
    - Year 3 – 40% of taxes
    - Year 4 – 60% of taxes
    - Year 5 – 80% of taxes
- A tax agreement shall be required for exemptions for the construction of commercial/industrial or multiple dwellings based on the Phase-In basis. A tax agreement is a contract between the City and the developer which sets forth the terms and conditions of the Five-Year TA.

Other considerations:

- All projects in this tier are required to comply with applicable City ordinances, including PLAs.
- Any commercial project located in this tier shall be eligible to utilize the incentives allowed for and subject to the requirements under the 6th Tier.

## 2nd Tier

Projects that fall within the zone designated as the 2nd Tier on the Tier Map shall be eligible for a TA consisting of the following terms:

- Term:10 years;
- Annual service charge:10% of annual gross revenues;
- Administrative cost charge:2% of annual service charge;
- Financial Agreement; and

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[1] As provided for in the Five-Year Tax Exemption Ordinance, specifically Chapters 304-8 through 11, most small Five-Year TA applications are approved by the tax assessor as a matter of right and are not subject to this policy. Only new construction for commercial, industrial and multiple dwellings must be approved by ordinance of the Council.

- Compliance with applicable City ordinances, including affordable housing PECA and PLAs.

Additional considerations:

- Optional use of redevelopment area bonds (RAB) for infrastructure as incentive for projects in this tier.

- Any commercial project located in this tier shall be eligible to utilize the incentives allowed for and subject to the requirements under the 6th Tier.

Projects within the 1st Tier may be eligible for 2nd Tier designation if the project is within a redevelopment area (RA) or Urban Empowerment Zone (UEZ) and the developer agrees to do one of the following:

- Construct an early childhood educational facility on the ground floor of the project subject to approval by the Jersey City Board of Education. Requirements and qualifications for such facilities must be established according to applicable state laws. The City may collaborate on funding options;

- Commit 35% of the project's construction/permanent jobs to City residents and purchase 35% of equipment/materials for the project from City vendors. Jersey City's Employment and Training Commission will maintain a database of qualified Jersey City residents and vendors; or

- A buy-up commitment of 1.5% of gross construction costs to be placed in a trust fund held and controlled by the City. The funds transferred can be committed to one of the following initiatives:

    - Jersey City youth jobs program to provide summer and/or after school jobs;
    - Improve or expand off-site prioritized community or recreation facilities and programs; or
    - Construction of an off-site educational facility.

## 3rd Tier

Projects that fall within the zone designated as the 3rd Tier on the Tier Map shall be eligible for a TA consisting of the following terms:

- Term: 20 years;

- Annual service charge:10% of annual gross revenues;

- Administrative fee:1% of annual service charge;

- Financial Agreement; and

- Compliance with applicable City ordinances, including affordable housing PECA and project labor agreements.

Other considerations:

- Optional use of a RAB for infrastructure as incentive for projects in this tier.

- Any commercial project located in this tier shall be eligible to utilize the incentives allowed for and subject to the requirements under the 6th Tier.

Projects within the 1st Tier may be eligible for 3rd Tier designation if the project is located in wither a RA or UEZ and the developer agrees to do the following:

- Construct an early childhood educational facility on the ground floor of the project subject to approval by the Jersey City Board of Education. Requirements and qualifications for such facilities must be established according to applicable state laws. The City may collaborate on funding options; and

- Commit 35% of the project's construction/permanent jobs to City residents and purchase 35% of equipment/materials for the project from City vendors. Jersey City's Employment and Training Commission will maintain a database of qualified Jersey City residents and vendors; or

- A buy-up commitment of 3% of gross construction costs to be placed in a trust fund held and controlled by the city. The funds transferred can be committed to one of the following initiatives:

    - Jersey City youth jobs program to provide summer and/or after school jobs;
    - Improve or expand off-site prioritized community or recreation facilities and programs; or
    - Construction of an off-site educational facility.

Projects within the 2nd Tier may be eligible for 3rd Tier designation if a given developer agrees to do one of the following:

- Construct an early childhood educational facility on the ground floor of the project subject to approval by the Jersey City Board of Education. Requirements and qualifications for such facilities must be established according to applicable state laws. The City may collaborate on funding options;

- Commit 35% of the project's construction/permanent jobs to City residents and purchase 35% of equipment/materials for the project from City vendors. Jersey City's Employment and Training Commission will maintain a database of qualified Jersey City residents and vendors; or

- Buy-up commitment of 1.5% of gross construction costs to be placed in a trust fund held and controlled by the City. The funds transferred can be committed to one of the following initiatives:

- Jersey City youth jobs program to provide summer and/or after school jobs;
- Improve or expand off-site prioritized community or recreation facilities and programs; or
- Construction of an off-site educational facility.

**4th Tier**

Projects that fall within the zone designated as the 4th Tier on the Tier Map shall be eligible for a TA consisting of the following terms:

- Maximum term: 30 years;

- Annual service charge: 10% of annual gross revenues;

- Administrative fee: not to exceed 0.5% of annual service charge;

- Financial Agreement; and

- Compliance with applicable City ordinances, including affordable housing and project labor agreements.

Other considerations:

- Optional use of a RAB for infrastructure as incentive for projects in this tier.

- Any commercial project located in this tier shall be eligible to utilize the incentives allowed for and subject to the requirements under the 6th Tier.

Projects within the 3rd Tier may be eligible for 4th Tier designation if a given developer agrees to do one of the following:

- Construct an early childhood educational facility on the ground floor of the project subject to approval by the Jersey City Board of Education. Requirements and qualifications for such facilities must be established according to applicable state laws. The City may collaborate on funding options;

- Commit 35% of the project's construction/permanent jobs to City residents and purchase 35% of equipment/materials for project from City vendors. Jersey City's Employment and Training Commission will maintain a database of qualified Jersey City residents and vendors; or

- A buy-up commitment of 1.5% of gross construction costs to be placed in a trust fund held and controlled by the City. The funds transferred can be committed to one of the following initiatives:

    - Jersey City youth jobs program to provide summer and/or after school jobs;
    - Improve or expand off-site prioritized community or recreation facilities and programs; or

- Construction of an off-site educational facility.

**<u>5th Tier</u>**

Any Affordable Housing Project located throughout Jersey City shall be eligible for a TA consisting of the following terms:

- Administrative fee: 0.5% of the annual service charge;

- Financial Agreement in accordance with either the Long-Term Tax Exemption (LTTE) law or the New Jersey Housing and Mortgage Finance Agency (HMFA) law; and

- PLA and specifically a Project Employment Agreement requiring the hiring of City residents and using of City suppliers.

- There are three categories of affordable housing projects: (1) low and moderate income housing projects; (2) mixed income projects; and, (3) project-based Section 8 projects:

    - <u>Low and Moderate Income Housing Projects:</u>
        - 100% of the project for the term of the tax exemption must be reserved for occupancy by households with gross household income not to exceed 80% of the area median household income for households of the same size within the housing region ("Affordable Units").
        - Projects with 100% Affordable Units applying under the LTTE or HMFA law will be treated the same[2] and shall be eligible for a exemption agreement consisting of the following terms:
            - Exemption term coterminous with the HMFA mortgage or for LTTE projects the term is 30 years but in either case the term shall be the same as the duration of secured affordability controls;
            - Annual service charge: 5% - 8% of annual gross revenues; and
            - Administrative fee of .5% of annual service charge.

    - <u>Mixed-Income Projects:</u>
        - Projects with a minimum of 20% deed restricted Affordable Units for the term of the tax exemption shall be eligible for an exemption agreement consisting of the following terms:
            - Exemption term coterminous with the HMFA mortgage or for LTTE projects the term is 30 years but in either case the term shall be the same as the duration of secured affordability controls;
            - Annual service charge:
                - 5% - 8% of annual gross revenues for the Affordable Units.
                - 10% -15% of annual gross revenue for the market rate residential units, depending on tier the project is located in.
            - Administrative fee: .5% of annual service charge; and
        - The number of Affordable Units must be certified to the City annually.

[2] Projects seeking exemption under the HMFA will require an HMFA mortgage as required by the governing statute.

Other considerations:

- Contributions to the City's affordable housing trust fund will not be required.
- Any affordable housing project that includes a commercial component shall be eligible for a TA on the commercial component at 10% of annual gross revenues for the length of the TA on the affordable housing component, not to exceed 30 years.
- Optional use of a RAB for infrastructure as incentive for projects in this tier.

**6th Tier**

Any commercial (office, hotel, and retail) project located throughout Jersey City within a RA or UEZ[3] shall be eligible for a TA consisting of the following terms:

- Maximum term: 30 years;
- Minimum annual service charge:10% of annual gross revenues;
- Administrative fee: 0.5% of annual service charge;
- Financial Agreement; and
- Compliance with applicable City ordinances, including affordable housing PECA and PLA.

Other considerations:

- Terms and conditions including the duration, the amount of the annual service charge and administrative fee, may be negotiated by the Mayor subject to the terms and conditions and other guidance provided in the LTTE law or the Five-Year Tax Exemption law, as applicable, and City ordinances. As required by statute, all terms and conditions shall be subject to approval of the City Council.
- Optional use of a RAB for infrastructure as incentive for projects in this tier.

**Review**

A standing committee of 7 people appointed by the Mayor each serving a 2 year term shall review the Tier Map bi-annually to ensure that each area is receiving the appropriate level of incentives to foster the desired amount of development. Likewise, the committee shall review the within Policy as needed but certainly bi-annually, to ensure that the Policy and the buy-up structure are correctly attuned to the market. This committee shall be called the JC Tax Exemption Review Committee and shall issue recommendations to the mayor.

[3] Should a commercial project be proposed in an area of the city not designated as a RA or UEZ then the Mayor's office in consultation with the Jersey City Redevelopment Agency shall explore whether a change in the area's designation is warranted.

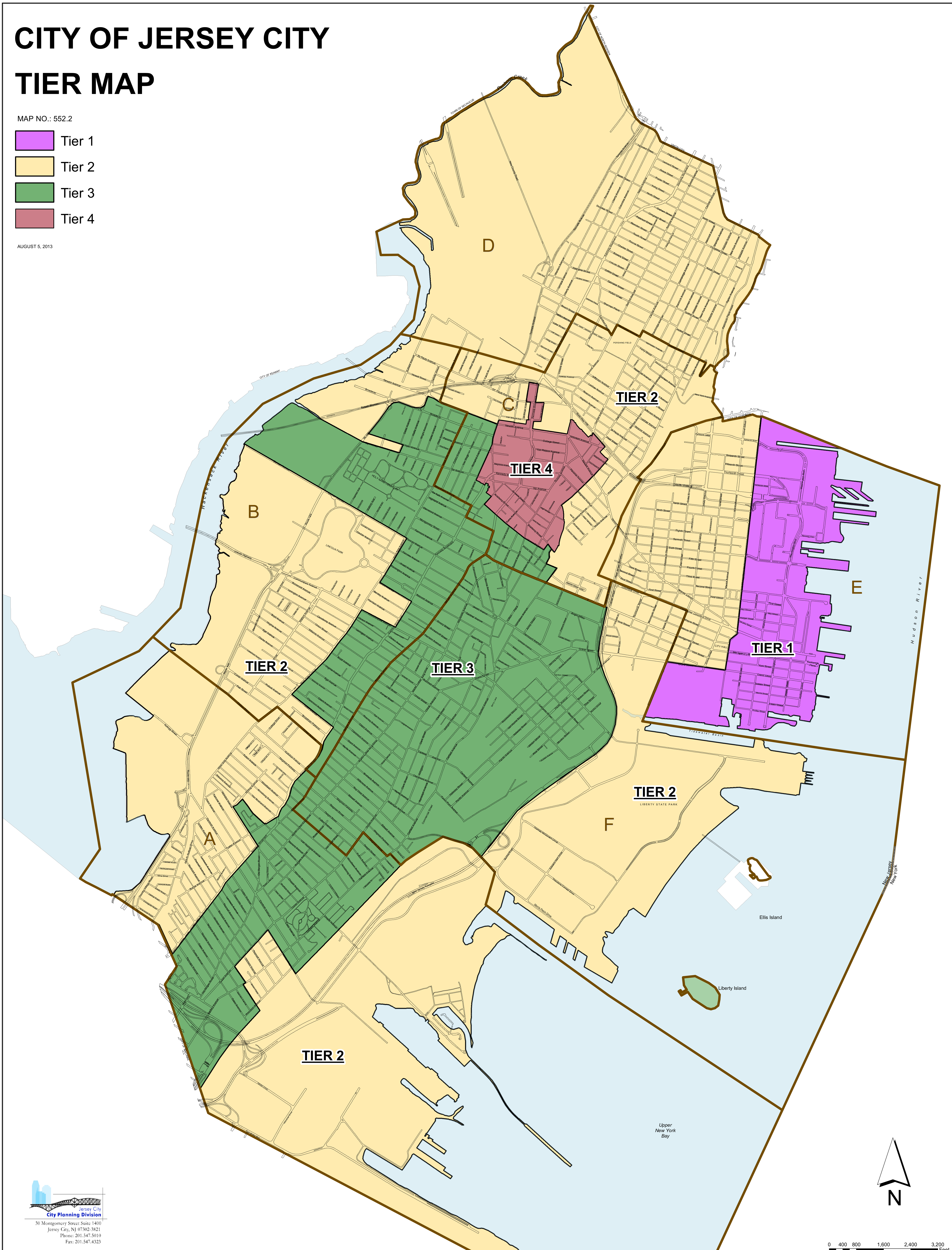
## Enforcement

Proper enforcement is critical to ensure the City is receiving all benefits from TAs and the terms of the Financial Agreements. This includes enforcement of Project Employment Agreements and PLAs. Enforcement will include annual audits by the City to ensure the City is receiving the full amount of the PILOT as well as its share of excess profits. Enforcement will further include monitoring redevelopment projects to ensure construction is completed within a reasonable period of time after a tax exemption is awarded. Projects which have not commenced construction within five years, for example, should be reviewed to either amend the terms of the Financial Agreement, or in certain cases, terminate the Financial Agreement.

Enforcement of PILOTs and all other related agreements shall be overseen by the office of the Corporation Counsel in consultation with the Tax Collector. This will provide meaningful oversight over enforcement activities. In addition, should the Mayor deem it necessary, the City shall procure the services of an independent certified public accounting firm to conduct annual financial audits of Financial Agreements, a cost, which, as will be provided for in every financial agreement, will be borne by the recipient of the TA.

August 8, 2013

By: STEVEN M. FULOP
MAYOR


CITY OF JERSEY CITY
TIER MAP
MAP NO.: 552.2
Tier 1
Tier 2
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Tier 4
AUGUST 5, 2013
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TIER 2
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TIER 1
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TIER 2
LIBERTY STATE PARK
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Hackensack River
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